

Message Text

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PAGE 01 LONDON 07008 181427 Z

43

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1958

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

UNCLAS LONDON 7008

DEPARTMENT PASS TREASURY, COMMERCE & FRB

E. O. 11652: N/ A

TAGS: ECON, US

SUBJECT: U. K. PRESS REACTION TO PRESIDENT NIXON' S ECONOMIC
MEASURES

BEGIN SUMMARY: BECAUSE OF LATENESS OF ANNOUNCEMENT IN U. S. , ONLY
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PAGE 02 LONDON 07008 181427 Z

ONE PAPER CARRIED FRONT PAGE STORY ON THURSDAY, JUNE 14, BUT ALL MAJOR PAPERS CONTAINED EDITORIALS ON FRIDAY, JUNE 15. MOST MAJOR NEWS STORIES POINTED UP SCEPTICISM VOICED IN U. S. ABOUT EFFECTIVENESS OF THE MEASURES AND THE EDITORIAL COMMENTS DEAL WITH RELEVANCE OF U. S. ACTIONS TO THE U. K.'S OWN ANTI- INFLATION PROGRAM. END SUMMARY

1. THE FINANCIAL TIMES, UNDER PAUL LEWIS BYLINE, GAVE FULL REPORT OF NIXON SPEECH ON THURSDAY'S FRONT PAGE. IN THEIR EDITORIAL ON FRIDAY, THEY COMMENT THAT THE PRESIDENT " HAS AT LAST ACKNOWLEDGED THE FAILURE OF PHASE THREE IN ITS PREVIOUS FORM, AND DEMONSTRATED HIS ABILITY TO LOOK BEYOND THE WATERGATE AFFAIR TO THE ECONOMIC ISSUES WHICH ARE ALSO AFFECTING BUSINESS CONFIDENCE INSIDE AND OUTSIDE AMERICA". ON THE OTHER SIDE, THEY SEE THE PRESIDENT'S MESSAGE AS CREATING FRESH UNCERTAINTY BY REFERENCE TO AN UNSPECIFIED BUT MORE STRINGENT PHASE FOUR. THE PROPOSED CONTROLS ON FOOD EXPORTS, THEY BELIEVE, " WILL NOT ASSIST EITHER THE TALKS WITH EUROPE ABOUT TRADE LIBERALIZATION NOR THE ALLIED NEGOTIATIONS ABOUT MONETARY REFORM". FINALLY, THE FT SEES MORALS FOR THE U. K. IN THE U. S. ACTIONS. FIRST, A SUDDEN CHANGE FROM STRICT CONTROLS TO RELATIVE FREEDOM IS ALMOST CERTAIN TO LEAD TO TROUBLE AND, SECOND, THAT THE GOVERNMENT SHOULD REMAIN FLEXIBLE IN CONTROLLING DEMAND AND NOT PUT TOO MUCH DEPENDENCE ON MONETARY POLICY.

2. THE TIMES EDITORIAL CONCENTRATES MOSTLY ON THE IMPLICATIONS OF THE U. S. MEASURES FOR THE U. K. PROGRAM HAS CLOSELY FOLLOWED THE U. S. MODEL. THEY ARE PARTICULARLY INTERESTED IN THE LIMITATIONS ON FOOD EXPORTS AND SEE THE NEED FOR RADICAL LIBERALIZATION OF FOOD IMPORTS WITH THE U. K. THEY SEE THE " IDEA OF UNILATERAL TARIFF REDUCTIONS AS A METHOD OF UNDERMINING HOME PRICE LEVELS, IN ALL MARKETS AS BEING WELL WORTH PURSUING, ESPECIALLY AS THE FORMER SLACK IN THE (U. K.) ECONOMY IS NOW BEING TAKEN UP RAPIDLY. THEY CONCLUDE THAT " HERE AT LEAST THE UNITED STATES MAY AGAIN BE POINTING THE WAS".

3. THE DAILY TELEGRAPH PUTS THEIR STORY OF THE U. S. FREEZE ON PAGE 4 OF FRIDAY'S EDITION. THEY STRESS THAT THE OBJECT OF THE FREEZE IS TO BUY TIME FOR THE COST- OF- LIVING COUNCIL TO WORK OUT MORE EFFECTIVE CONTROLS IN PHASE FOUR. THEY NOTE
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PAGE 03 LONDON 07008 181427 Z

THAT MANY IN THE U. S. SEE THE CURRENT MEASURES AS A STOPGAP AND A TACIT ADMISSION THAT THAT PHASE III HAD FAILED TO HALT THE WORST INFLATION IN THE U. S. HAS HAD SINCE 1951. THE REST OF THE STORY IS DEVOTED TO RATHER NEGATIVE REACTIONS BY VARIOUS U. S. GROUPS TO THE PRESIDENT'S MEASURES AND TO SECRETARY SHULTZ'S BRIEFING TO REPORTERS. IN ITS EDITORIAL, THE TELEGRAPH

SAYS, ON BALANCE, THE PRESIDENT IS RIGHT TO TAKE ACTION NOW, DESPITE APPARENTLY DIVIDED COUNSEL BY HIS ECONOMIC ADVISORS. THEY ALSO SEE THAT THE FREEZE ON PRICES IN THE LONGER RUN WILL BE GROSSLY INEQUITABLE, AND DISASTROUS FOR PROFIT MARGINS AND, THEREFORE

INVESTMENT, IF THE ONESIDED FREEZE BECAME SEMI-PERMANENT.

4. THE GUARDIAN PLACED ITS REPORT ON THE FREEZE ON PAGE 5 OF FRIDAY'S EDITION. AS TO BE EXPECTED, THE STORY IS QUITE SCEPTICAL AND EMPHASIZES THE OPINION OF " THE MEASURES BEING TOO LATE AND TOO MILD TO HAVE ANY REAL BENEFICIAL EFFECT ON AMERICA'S DUE ECONOMIC PLIGHT". IN THEIR EDITORIAL, THEY SAY THAT FREEZING PRICES IS NO WAY TO COOL DOWN AN OVERHEATED ECONOMY AND THEY SEE VERY LITTLE IN THE NIXON PROGRAM TO SUGGEST THE GOVERNMENT IS ABOUT TO INTRODUCE ANY NEW DEFLATIONARY MEASURES. THE GUARDIAN ALSO LINKS THE U. K.'S POOR TRADE FIGURES FOR MAY TO THE RAPIDLY GROWING AMERICAN DEMAND FOR RAW MATERIALS AND COMMODITIES WHICH IS FORCING WORLD PRICES UP. THE CUTBACK ON U. S. EXPORTS COULD DRIVE WORLD PRICES STILL HIGHER AND WILL CERTAINLY MAKE IT HARDER FOR THE U. S. TO GET CONCESSIONS ON AGRICULTURAL POLICY FROM THE EC. FINALLY, THE GUARDIAN SEES " MR. NIXON'S STRUGGLES WITH INFLATION (TO) BE WIDELY TAKEN AS A DRESS REHEARSAL FOR THE BRITISH ECONOMY. THE LESSON FOR MR. HEATH IN MR. NIXON'S LATEST PACKAGE IS THAT THE WORST IN MR. NIXON'S LATEST PACKAGE IS THAT THE WORST OF ALL POSSIBLE WORLDS WOULD BE A WEAK PHASE THREE APPLIED TO AN OVERHEATED ECONOMY".
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To: BERN
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EC BRUSSELS

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